

Belvidere Town School District
BASIC FINANCIAL STATEMENTS
June 30, 2017

Belvidere Town School District
TABLE OF CONTENTS
June 30, 2017

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS	
BASIC FINANCIAL STATEMENTS:	
District-Wide Financial Statements:	
Statement of Net Position	1
Statement of Changes in Net Position	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
Notes to Basic Financial Statements	7
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – General Fund	16
	<u>Report</u>
ADDITIONAL REPORTS	
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed In Accordance With Governmental Auditing Standards	1



Kittell Branagan & Sargent

Certified Public Accountants

Vermont License #167

INDEPENDENT AUDITOR'S REPORT

To the School Board
Belvidere, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belvidere Town School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Belvidere Town School District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Going Concern

As disclosed in Note 12, the voters of Belvidere Town School District, Eden Town School District, Hyde Park Town School District, Johnson Town School District, Lamoille Union High School District #18 and Waterville School District authorized the creation of a Unified School District, encompassing each of the districts. The pre-existing school districts halted governance operations and ceased to exist upon the close of business on June 30, 2017. All assets, debts, and liabilities of each district were transferred to the Unified School District as of June 30, 2017.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2017, on our consideration of the Belvidere Town School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Belvidere Town School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Kaitell Branagan" followed by a stylized flourish.

Belvidere Town School District
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Belvidere Central School District financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the District's financial statements.

Brief Discussion of the Basic Financial Statements:

Using This Annual Report

This annual Report consists of a series of financial statements. The Statement of Net Position and the Balance Sheet—Governmental Funds provide information about the activities of the District as a whole, and present a longer-term view of the District's finances. Fund financial statements such as the Statement of Activities follow under the Notes section of the Report. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The Statement of Net Position - Fiduciary Funds provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the government.

The District Administration is responsible for establishing an accounting and internal control structure designed to ensure that the physical, data, informational, intellectual and human resource assets of the District are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Additionally, management strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable, but not absolute, assurances that these objectives are attained. The concept of reasonable assurance recognizes that: (1) the cost of any control should not exceed the benefit likely to be derived; (2) the valuation of cost and benefits requires judgments by management.

Reporting the District as a Whole

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities." The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position reports the District's net position and changes in them. You can think of the District's net position - the difference between assets and liabilities - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's student enrollment and the condition of the District's infrastructure, to assess the overall health of the District.

In the Statement of Net Position and the Statement of Activities, the District's activities are classified solely as governmental activities:

Belvidere Town School District
 MANAGEMENT DISCUSSION AND ANALYSIS
 June 30, 2017

- Governmental activities – The District’s basic services are reported here, including: instruction-regular education and special education; supporting education services; operation and maintenance; transportation; administration; and debt service. These activities are further broken down between General Fund and Special Revenue.
- General Fund Activities – These are the basic core activities of the District- student education. These activities are also supported primarily by property taxes.
- Special Revenue Activities – These are special purpose activities that are supported by grant funds. These activities may support the core mission of the District, but the activities are being provided because other funds are available to pay for them. In most cases, special revenue activities would not be provided if grant funding were not available.

Analysis of Overall Financial Information:

A snapshot of the District’s overall financial position is reflected below:

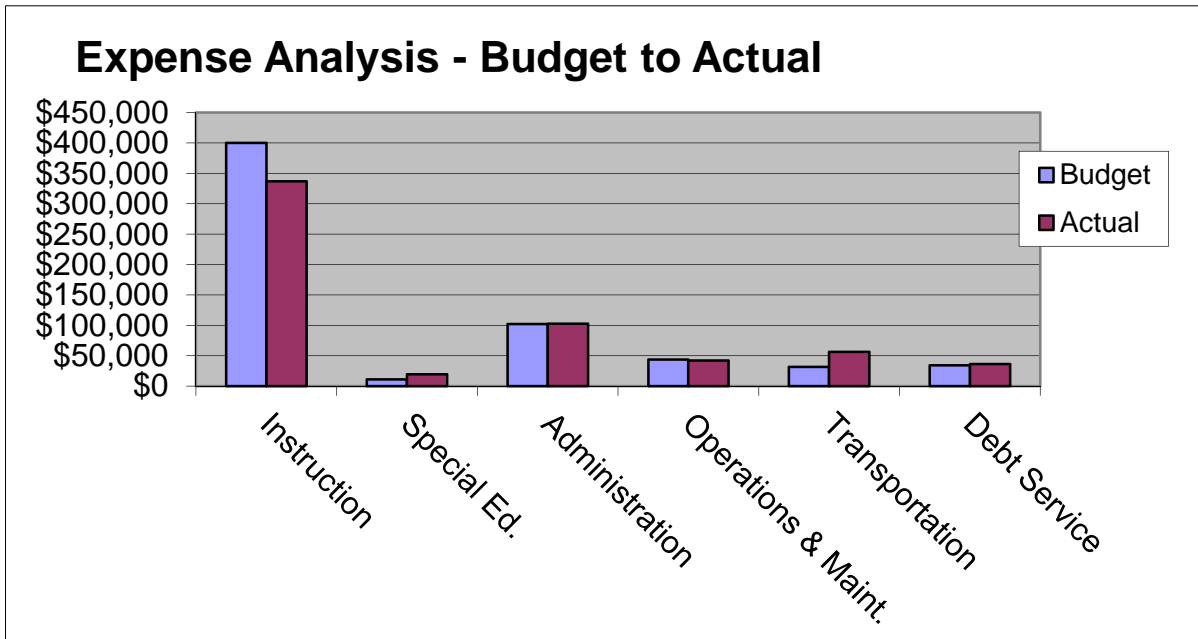
ASSETS					
		FY16		FY17	% Change
Current Assets	\$	94,891	\$	92,573	-2%
Capital Assets	\$	553,676	\$	526,256	-5%
TOTAL ASSETS	\$	648,567	\$	618,829	-5%

LIABILITIES					
		FY16		FY17	
Current Liabilities	\$	57,704	\$	47,388	-18%
Long-Term Liabilities	\$	30,000	\$	-	-100%
TOTAL LIABILITIES	\$	87,704	\$	47,388	-46%

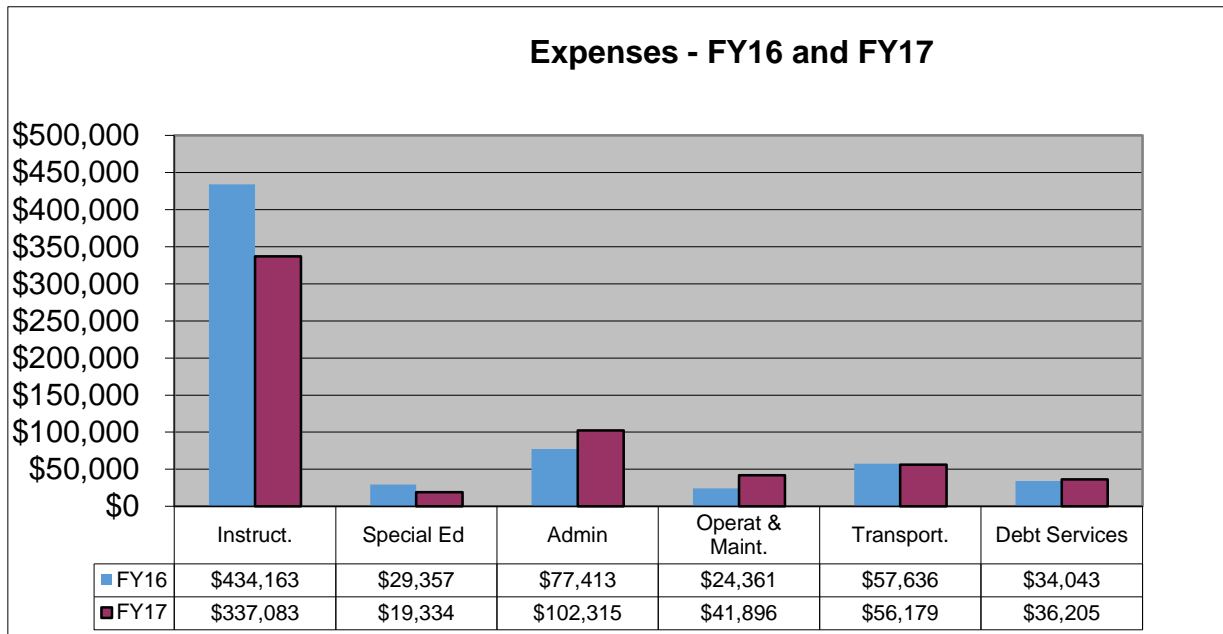
NET POSITION					
		FY16		FY17	
Net Investments in Capital Assets	\$	493,676	\$	496,256	1%
Unrestricted	\$	67,187	\$	75,185	12%
TOTAL NET ASSETS	\$	560,863	\$	571,441	2%

Expenditures: The change between Budget to Actual in FY17 expenditures was driven primarily due to the tuition to Waterville Elementary coming in lower than budgeted by 4 students. Belvidere tuitions all their students to Waterville Elementary School. Transportation appears to have come in higher than budget in FY17 due to the State of Vermont sending State Aide to Transportation funds directly to the schools, which was then passed through to the Lamoille North Supervisory Union.

Belvidere Town School District
 MANAGEMENT DISCUSSION AND ANALYSIS
 June 30, 2017



Tuition, both for regular education and special education in the amount of \$352,232 was paid to Waterville Elementary School in FY17. Special Education and transportation expenses were reduced in FY '17, where the assessment to LNSU was increased as some of these costs moved to the supervisory union level.

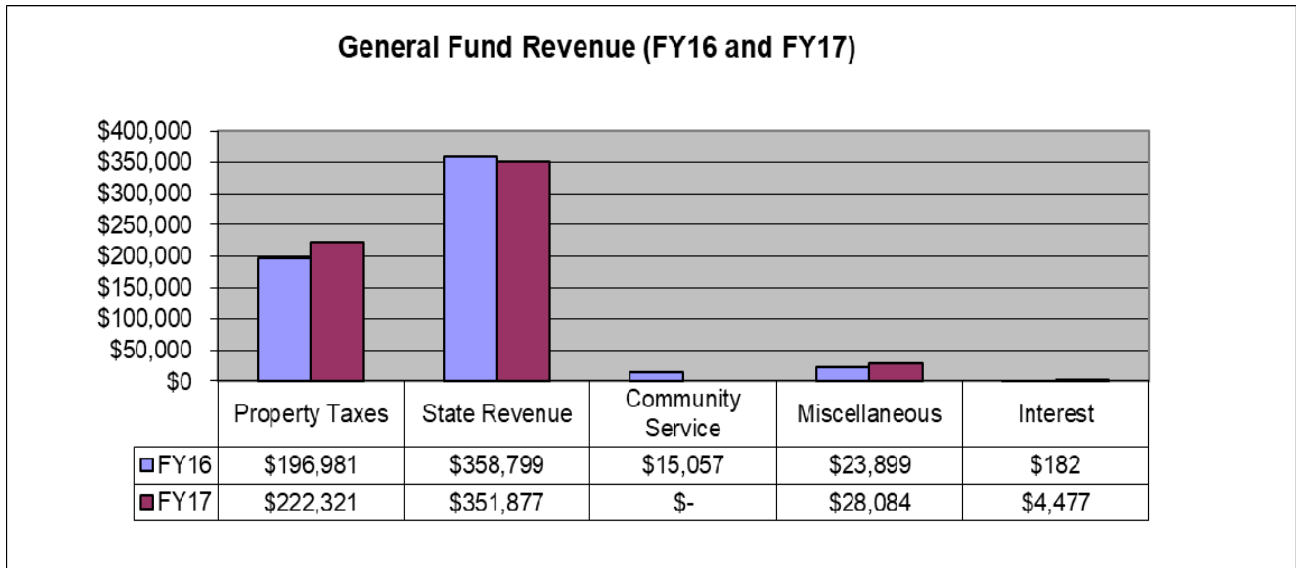


Revenues:

The main fluctuation in revenues was due to transportation and special education expenses shifting over onto the Lamoille North Supervisory Union books, thereby decreasing the reimbursable revenues these expenses create from the State. Reduced special education costs resulted in lower special education reimbursement revenues, but conversely there was a reduction in the related expenses.

Belvidere Town School District
 MANAGEMENT DISCUSSION AND ANALYSIS
 June 30, 2017

The district ended changing for Community Service in FY17.



Change in General Fund Balance:

Under Governmental Accounting Standards Board #54, the District is reporting fund balances classified under definitions: Restricted, Committed, Assigned, Non-spendable or Unassigned. The district ended the year in a positive position.

General Fund Balance 7/1/16	Excess of Revenues (Under)/Over Expenditures	General Fund Balance – 6/30/17
\$67,187	\$7,998	\$75,185

Total Fund Balance, inclusive of both General and Capital Projects is a positive \$75,185 and consists of the following:

- (\$20,069) Unassigned fund balance
- \$74,712 Committed fund balance in the Capital Reserve
- \$50 Non-spendable fund balance for prepaid expenses
- \$20,492 Committed fund balance for “The Old School House”

Capital Assets:

As required under Governmental Accounting Standards Board #34, the District is reporting its capital assets as part of the financial statements. The District has researched and documented the historical costs of the various assets owned by the District and applied appropriate charges against the cost to record depreciation.

Belvidere Town School District
 MANAGEMENT DISCUSSION AND ANALYSIS
 June 30, 2017

Description	Fund Bal. - 7/1/16	Increase/(Decrease)	Fund Bal. - 6/30/17
Land	\$61,788	\$0.00	\$61,788
Depreciable Assets	\$945,125	\$0.00	\$945,125
Accumulated Depreciation	(\$453,237)	(\$27,420)	(\$480,657)
Net Assets	\$553,676	(\$27,420)	\$526,256

Long-Term Debt:

The District has long-term debt, defined as Bond Payable.

Bond Type	Original Amount	7/1/16 Balance	FY '17 Payment	6/30/17 Balance	Final Pay. Date
School Addition & Renovation	\$610,000	\$60,000	\$30,000	\$30,000	12/1/2017

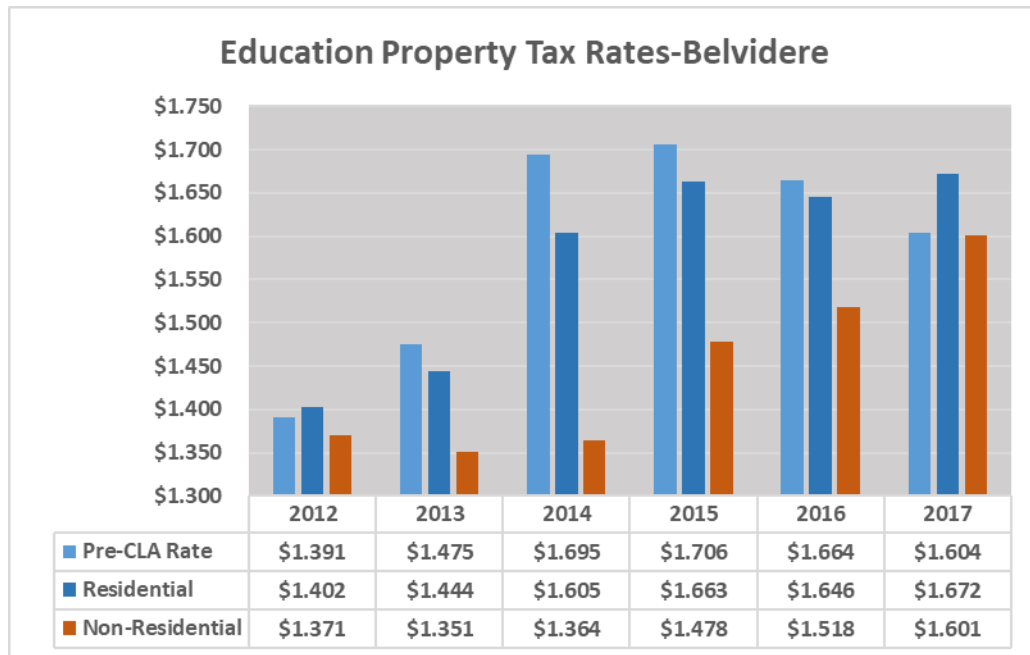
Current Issues:

- Economy: Statewide, since the economic downturn, Belvidere has experienced less volatile fluctuations in unemployment than their surrounding communities, with levels reaching 8.7% in March 2010 and rebounding to 3.3% in June, 2016. Unemployment for all of Lamoille County was 3.7% in June 2016, slightly higher than the statewide figure of 3.1%.
- Consolidation Efforts: Act 153 & Act 156 are provisions in laws that consolidate some functions in the central office and offers incentives for districts to consolidate. Some of the consolidation implementations, such as those in special education and transportation took place July 1, 2016. Since Vermont law prohibits supervisory unions from borrowing or owning real estate, some of the more practical approaches to transferring areas of responsibility to the LNSU have been challenging. Subsequently, the legislature passed Act 46 in May 2015, that provides incentives for consolidation that lowers the tax impact on districts if they voluntarily consolidate as a single district. LNSU established a committee to look at the possibility and impact of consolidating. A vote of its citizenry was held on April 12, 2016. The towns of Belvidere, Eden, Johnson and Hyde Park voted to consolidate into one school district. Waterville Elementary School District voted to join the consolidation on April 25, 2017. Cambridge Elementary School District voted to not participate in the consolidation. Effective July 1, 2017, Belvidere Central School will operate as a member of the Lamoille North Modified Unified Union School District.
- Enrollment: Unlike many of Vermont's school districts, the Belvidere Central School District has been experiencing an increase in student enrollment. The Town expects this increase to continue in the near future. Belvidere Central's equalized pupil count (EPC) that includes both elementary and secondary students, is weighted for poverty and other factors. The chart below reflects recent growth until FY17 when there was a modest decrease.

Belvidere Town School District
 MANAGEMENT DISCUSSION AND ANALYSIS
 June 30, 2017

FY 2010	FY 2011	FY 2012	FY2013	FY2014	FY2015	FY2016	FY 2017
50.45	50.88	53.42	53.52	52.36	57.35	59.85	59.19

- **Physical Plant:** The school building houses the educational program for preschool students and is kept open year-round for community use. Revenue is received from Waterville School to house the preschool program.
- **Taxes:** Property taxes in Vermont are set by calculation of total spent per equalized in each locale and then adjusted by the local common level of appraisal (CLA). A CLA of over 100% has the effect of lowering the tax rate and a CLA under 100% has the effect of increasing the tax rate. As property values increase, the CLA goes down until a locale does a property reassessment. The downward pressure on a CLA has the effect of increasing the property tax rate. A slowing economy started in the fall of 2008 and poor sales have affected the CLA for Belvidere by seeing it float back over 100% to 105.61% in FY2014. It has moved down to 95.9% in FY2017.



The effect of the Common Level of Appraisal (Vermont’s adjustment factor to bring a town’s appraised values to fair market values) on Belvidere’s final tax rates greatly affects taxes. The history of CLA is as follows:

Belvidere Town School District
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2017

Common Level of Appraisal C.L.A. FY09:	103.32% (Reappraisal)
Common Level of Appraisal C.L.A. FY10:	99.31%
Common Level of Appraisal C.L.A. FY11:	98.32%
Common Level of Appraisal C.L.A. FY12:	99.21%
Common Level of Appraisal C.L.A. FY13:	102.18%
Common Level of Appraisal C.L.A. FY14:	105.61%
Common Level of Appraisal C.L.A. FY15:	102.54%
Common Level of Appraisal C.L.A. FY16:	101.13%
Common Level of Appraisal C.L.A. FY17:	95.9%

- The Belvidere Central School District is a member of the Lamoille Union School District #18 (LUSD #18). Belvidere Central sends all of its secondary students to LUSD #18. LUSD #18 includes the Green Mountain Technology & Career Center.

Contact for Further Information:

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions about this Report or additional financial information needs should be directed to Catherine Gallagher, Superintendent of Schools, 96 Cricket Hill Road, Belvidere Central, VT 05655, at 802-851-1178 or cgallagher@Insu.org.

Belvidere Town School District
DISTRICT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
June 30, 2017

ASSETS

	<u>Governmental Activities</u>
CURRENT ASSETS	
Cash	\$ 91,251
Accounts Receivable	1,272
Prepaid Expenses	<u>50</u>
TOTAL CURRENT ASSETS	92,573
CAPITAL ASSETS, net	<u>526,256</u>
TOTAL ASSETS	<u><u>\$ 618,829</u></u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Accounts Payable	\$ 17,388
Current Portion Bonds Payable	<u>30,000</u>
TOTAL CURRENT LIABILITIES	<u>47,388</u>
NET POSITION	
Net Investment in Capital Assets	496,256
Unrestricted	<u>75,185</u>
TOTAL NET POSITION	<u>571,441</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 618,829</u></u>

See Accompanying Notes to Basic Financial Statements.

Belvidere Town School District
DISTRICT-WIDE FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN NET POSITION
For the Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
			<u>Operating Grants and Revenues</u>	<u>Capital Grants and Revenues</u>	<u>Governmental Activities</u>
Governmental activities:					
Instruction Services	\$ 336,983	\$ -	\$ 519,772	\$ -	\$ 182,789
Special Education	7,996	-	32,505	-	24,509
Speech and Psychological Services	10,344	-	-	-	(10,344)
Board/Fiscal/Audit	3,510	-	-	-	(3,510)
Principal's Office	1,196	-	-	-	(1,196)
LEA Student Advocate	1,094	-	-	-	(1,094)
Fiscal Services - Treasurer	7,768	-	-	-	(7,768)
Maintenance of Plant	47,645	-	-	-	(47,645)
Pupil Transportation	56,179	-	21,921	-	(34,258)
Interest Expense	6,205	-	-	-	(6,205)
Union High School Assessment	89,841	-	-	-	(89,841)
Depreciation - unallocated	27,420	-	-	-	(27,420)
Total governmental activities	<u>\$ 596,181</u>	<u>\$ -</u>	<u>\$ 574,198</u>	<u>\$ -</u>	<u>(21,983)</u>
General revenues:					
Unrestricted investment earnings					4,477
Miscellaneous					<u>28,084</u>
Total general revenues					<u>32,561</u>
Change in Net Position					10,578
Net position, beginning					<u>560,863</u>
Net position, ending					<u>\$ 571,441</u>

See Accompanying Notes to Basic Financial Statements.

Belvidere Town School District
 FUND FINANCIAL STATEMENTS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2017

<u>ASSETS</u>	Governmental Fund Types		
	General Fund	Capital Projects Fund	Total
ASSETS			
Cash	\$ 91,251	\$ -	\$ 91,251
Accounts Receivable	1,272	-	1,272
Due to Other Funds	-	74,712	74,712
Prepaid Expenses	50	-	50
TOTAL ASSETS	\$ 92,573	\$ 74,712	\$ 167,285
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts Payable	\$ 17,388	\$ -	\$ 17,388
Due From Other Funds	74,712	-	74,712
TOTAL CURRENT LIABILITIES	92,100	-	92,100
FUND BALANCES			
Nonspendable Fund Balance	50	-	50
Committed Fund Balance	20,492	74,712	95,204
Unassigned Fund Balance	(20,069)	-	(20,069)
TOTAL FUND BALANCE	473	74,712	75,185
TOTAL LIABILITIES AND FUND BALANCE	\$ 92,573	\$ 74,712	\$ 167,285

See Accompanying Notes to Basic Financial Statements.

Belvidere Town School District
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

Total fund balances - governmental funds \$ 75,185

Amounts reported for governmental activities in the statement of net position
are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in governmental funds.

Capital Assets 1,006,913

Accumulated Depreciation (480,657)

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported as liabilities
in the funds. Long-term liabilities at year-end consist of:

Bonds Payable (30,000)

Total net position - governmental activities \$ 571,441

See Accompanying Notes to Basic Financial Statements.

Belvidere Town School District
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2017

	Governmental Fund Types		
	General Fund	Projects Fund	Total
REVENUES			
Interest Income	\$ 4,477	\$ -	\$ 4,477
State Revenues	574,198	-	574,198
Miscellaneous	<u>28,084</u>	<u>-</u>	<u>28,084</u>
TOTAL REVENUES	<u>606,759</u>	<u>-</u>	<u>606,759</u>
EXPENDITURES			
Instruction Services	337,083	-	337,083
Special Education	7,796	-	7,796
Speech Services	10,344	-	10,344
LEA Student Advocate	1,094	-	1,094
Board/Fiscal/Audit	3,510	-	3,510
Superintendent's Office	89,684	-	89,684
Principal's Office	1,196	-	1,196
Fiscal Services - Treasurer	7,925	-	7,925
Maintenance of Plant	41,896	5,749	47,645
Pupil Transportation	56,179	-	56,179
Debt Service	36,205	-	36,205
Essential Early Ed. & Early Ed. Initiative	<u>100</u>	<u>-</u>	<u>100</u>
TOTAL EXPENDITURES	<u>593,012</u>	<u>5,749</u>	<u>598,761</u>
EXCESS OF REVENUES/(DEFICIENCIES) OVER/(UNDER) EXPENDITURES	13,747	(5,749)	7,998
OTHER FINANCING SOURCES			
Transfer In/(Out)	<u>(36,000)</u>	<u>36,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(22,253)	30,251	7,998
FUND BALANCE, Beginning of Year	<u>22,726</u>	<u>44,461</u>	<u>67,187</u>
FUND BALANCE, End of Year	<u>\$ 473</u>	<u>\$ 74,712</u>	<u>\$ 75,185</u>

See Accompanying Notes to Basic Financial Statements.

Belvidere Town School District
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2017

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
 OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 TO THE STATEMENT OF CHANGES IN NET POSITION

Total net change in fund balances - governmental funds	\$ 7,998
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Amounts reported for governmental activities in the statement of activities
 are different because:

Capital outlays are reported in governmental funds as expenditures. However,
 in the statement of activities, the cost of those assets is allocated over
 their estimated useful lives as depreciation expense:

Depreciation Expense	(27,420)
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Repayment of long-term debt is an expenditure in the governmental funds,
 but the repayment reduces long-term liabilities in the statement of net position:

Bond Payments	<u>30,000</u>
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Change in net position of governmental activities	<u>\$ 10,578</u>
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See Accompanying Notes to Basic Financial Statements.

Belvidere Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

All operations of the School District are controlled by a three member Board of Trustees, elected in Town-wide elections, and responsible for all of the School District's activities. The financial statements include all of the School District's operations controlled by the Board of Trustees. Based on criteria for determining the reporting entity (separate legal entity and fiscal or financial dependency on other governments), the School District is considered to be an independent reporting entity and has no component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the School District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expense of a given program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due.

Belvidere Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes (state education and local share) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the School District receives cash.

The School District reports the following major governmental funds:

- * The general fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

Private-sector standards of accounting, and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to students for tuition, fees, rental, material, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes (state education and local share).

Budgetary Data

Budgets are presented on the modified accrual basis of accounting for all governmental funds. Budgets are not adopted on a School District level for the financial funds or the student activities agency fund. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- * During January of each year, the School District Superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.
- * Copies of the proposed budget are made available for public inspection and review by the patrons of the School District. During March of each year a public hearing is held prior to Town Meeting day to discuss the budget.
- * The budget is voted on by taxpayers at Town Meeting in the month of March.
- * Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the Superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Vermont State law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- * Expenditures may not legally exceed budgeted appropriations at the fund level.

Belvidere Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Negative variances in total revenues and the positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Budgets generally assume the expenditure of all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year. As a result, overall fund revenues variances will be negative and overall fund expenditures variances will be positive.

Cash and Cash Equivalents

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Interfund Receivables and Payables

Belvidere Town School District generally maintains one cash account in the General Fund to pay expenditures and receive payments for efficiency. All interfund balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) repayments between funds are made.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., current portion of inter-fund loans) or "advances from/to other funds" (i.e., the non-current portion of inter-fund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Capital Assets

Capital assets are property owned by the School District and include computers, computer equipment, and peripherals: equipment such as vehicles, machinery, copiers, and office equipment; buildings and land: and infrastructure such as roads, bridges, tunnels, rights of way, and culverts.

General capital assets should be capitalized and recorded when all of the following criteria are met:

- (1) The asset is tangible and complete.
- (2) The asset is used in the operation of the School District's activities.
- (3) The asset has a value equal to or greater than \$5,000 and a useful life of more than one year, at the date of acquisition

Belvidere Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All general capital assets must be recorded at either historical cost or estimated historical cost. Assets acquired through donation will be recorded at their estimated fair market value on the date of donation. In addition to purchase price or construction cost, costs of capitalization may include incidental costs, such as bond interest and issuance cost, insurance during transit, freight, duties, title search, title registration, installation, and breaking-in costs.

The straight line depreciation method will be used with lives as recommended by the Association of School Business Officials (ASBO).

Long-term Obligations

In the district-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets.

Property Taxes

Property taxes are due and payable on or before November 18 and become delinquent on November 19. The Town prepares the bills and collects all taxes and then remits them to the School District.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Risk

Belvidere Town School District is a public school district located in the Town of Belvidere. The District receives the majority of its revenues from property taxes assessed on residences of the Town. Additionally, the District receives revenues from the State of Vermont as Federal and State aid to education and as a special education grants.

Government Wide Net Position

Government-wide net position is divided into the following components:

Net investment in capital assets – consists of historical cost of capital needs less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net position – consists of net assets that are restricted by the District's creditors, by enabling legislation, by grantors (both federal and state), and/or by contributors.

Unrestricted – all other net position reported in this category.

Governmental Fund Balance

Effective July 1, 2010 the district adopted the provisions of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In the governmental fund financial statements, fund balances are classified as follows;

Belvidere Town School District
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted – Amounts that can be spent only for specific purposes because of laws, regulations or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by the board members.

Assigned – Amounts that are designated by management for a particular purpose

Nonspendable – Amounts that cannot be spent because they are not spendable in form or are legally or contractually required to be maintained intact.

Unassigned – All amounts not included in other classifications.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed. For unrestricted amounts of fund balance, it is the Belvidere Town School District's policy to use the fund balance in the following order: (1) Committed, (2) Assigned, (3) Unassigned.

NOTE 2 CASH

The cash deposits in the School District accounts as of June 30, 2017 consisted of the following:

	Book Balance	Bank Balance
Insured (FDIC)	<u>\$ 91,251</u>	<u>\$ 113,748</u>

The difference between the book balance and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is as follows:

Belvidere Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 61,788	\$ -	\$ -	\$ 61,788
Capital assets, being depreciated				
Buildings	930,125	-	-	930,125
Equipment	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Total capital assets, being depreciated	<u>945,125</u>	<u>-</u>	<u>-</u>	<u>945,125</u>
Accumulated depreciation for:				
Buildings and improvements	(438,237)	(27,420)	-	(465,657)
Equipment	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>
Total accumulated depreciation	<u>(453,237)</u>	<u>(27,420)</u>	<u>-</u>	<u>(480,657)</u>
Total capital assets, being depreciated, net	<u>491,888</u>	<u>(27,420)</u>	<u>-</u>	<u>464,468</u>
Governmental activities capital assets, net	<u>\$ 553,676</u>	<u>\$ (27,420)</u>	<u>\$ -</u>	<u>\$ 526,256</u>

NOTE 4 SHORT-TERM DEBT

Short-term debt consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Revenue Anticipation Note (2.8%)	<u>\$ -</u>	<u>\$ 157,775</u>	<u>\$ (157,775)</u>	<u>\$ -</u>

NOTE 5 BONDS PAYABLE

The District had the following bonds payable at June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Vermont Municipal Bond Bank, 20 yr bond, dated July 1997, variable interest payable semiannually, principal payable annually at declining amounts through December 2017	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>

Belvidere Town School District
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 5 BONDS PAYABLE (continued)

Maturities of bonds payable are as follows:

	Principal	Interest	Total
2018	<u>\$ 30,000</u>	<u>\$ 810</u>	<u>\$ 30,810</u>

NOTE 6 ASSESSMENTS

Supervisory Union Assessment

The District pays for its proportionate share of expense relating to the Lamoille North Supervisory Union. The District paid \$89,841 of such expenses during the year ended June 30, 2017.

NOTE 7 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and injuries to employees. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

In addition, Belvidere Town School District is a member of the Vermont School Boards' Association Insurance Trust, Inc. (VSBIT) Medical Benefits Program and Unemployment Compensation Program. VSBIT is a nonprofit corporation formed in 1978 to provide insurance and risk management programs for Vermont school districts and is owned by the participating districts.

To provide unemployment coverage, VSBIT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims and provide excess reinsurance protection. Contributions are based on payroll expense and the previous two-year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VSBIT is unable to meet its require obligations, the program will be terminated with each member assessed their proportioned share of the deficit.

NOTE 8 GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the School District's Independent Auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District Administration believes such disallowance, if any, would be immaterial.

Belvidere Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 9 TUITION

The School District pays tuition for its students to attend school in Waterville Town School District. Tuition in the amount of \$352,232 was paid to Waterville Elementary School during the year ended June 30, 2017.

NOTE 10 FUND BALANCES

Nonspendable and Committed Fund Balances at June 30, 2017 are as follows:

General Fund

Nonspendable for:

Prepaid Expenses	\$ <u>50</u>
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Committed for:

Old School House Account	\$ <u>20,492</u>
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Capital Projects Fund

Committed for:

Capital Expenditures	\$ <u>74,712</u>
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NOTE 11 SCHOOL BUILDING LEASE

The School District leased a portion of their building to Waterville to run their preschool program. The one year lease ran from July 1, 2016 through June 30, 2017. The tenant shall pay the landlord \$24,589 per year, payable in installments of 10 equal payments commencing August 2016 and ending May 2017. Total rental income for the year ended June 30, 2017 totaled \$24,589. The lease was not extended because both districts merged into one entity as of July 1, 2017.

NOTE 12 UNIFIED DISTRICT

On March 1, 2016, the voters of Lamoille Union High School District #18, Eden Town School District, Johnson Town School District, Hyde Park Town School District, Waterville Town School District and Belvidere Town School District authorized the creation of a Unified School District, encompassing each of the districts. The pre-existing school districts ended governance operations and cease to exist upon the close of business on June 30, 2017. All assets, debts, and liabilities of each district have been transferred to the Unified School District as of June 30, 2017.

Belvidere Town School District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 13 SUBSEQUENT EVENTS

In accordance with professional accounting standards, the School District has evaluated events through October 20, 2017, which is the date the financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2017, have been incorporated into the financial statements herein.

REQUIRED SUPPLEMENTARY INFORMATION

Belvidere Town School District
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
REVENUES				
State Grants:				
Education Spending Grant	\$ 513,890	\$ 513,890	\$ 515,610	\$ 1,720
Education Spending Grant - Transportation	-	-	21,921	21,921
Special Education Grant	34,890	34,890	32,505	(2,385)
Essential Early Ed. & Early Ed. Initiative	4,162	4,162	4,162	-
Community Services Revenue	15,057	15,057	-	(15,057)
Interest Income	1,700	1,700	4,477	2,777
Miscellaneous	23,849	23,849	28,084	4,235
	<u>593,548</u>	<u>593,548</u>	<u>606,759</u>	<u>13,211</u>
TOTAL REVENUES				
EXPENDITURES				
Instruction Services	400,211	400,211	337,083	63,128
Special Education	-	-	7,796	(7,796)
Speech and Psychological Services	3,750	3,750	10,344	(6,594)
Board/Fiscal/Audit	2,453	2,453	3,510	(1,057)
Superintendent's Office	90,956	90,956	89,684	1,272
Principal's Office	1,192	1,192	1,196	(4)
LEA Student Advocate	1,096	1,096	1,094	2
Fiscal Services - Treasurer	7,587	7,587	7,925	(338)
Maintenance of Plant	43,412	43,412	41,896	1,516
Pupil Transportation	31,292	31,292	56,179	(24,887)
Debt Service	33,930	33,930	36,205	(2,275)
Essential Early Ed. & Early Ed. Initiative	5,999	5,999	100	5,899
	<u>621,878</u>	<u>621,878</u>	<u>593,012</u>	<u>28,866</u>
TOTAL EXPENDITURES				
OTHER FINANCING SOURCES				
Transfer Out	-	-	(36,000)	(36,000)
	<u>-</u>	<u>-</u>	<u>(36,000)</u>	<u>(36,000)</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ (28,330)</u>	<u>\$ (28,330)</u>	<u>\$ (22,253)</u>	<u>\$ (51,655)</u>

See Accompanying Notes to Basic Financial Statements.

ADDITIONAL REPORTS



Kittell Branagan & Sargent

Certified Public Accountants

Vermont License # 167

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the School Board
Belvidere, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belvidere Town School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued our report thereon dated October 20, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Belvidere Town School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Belvidere Town School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Belvidere Town School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Belvidere Town School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kittell Branagan $\frac{1}{2}$ Sargent

St. Albans, Vermont
October 20, 2017